

**Genworth Life Insurance Company**  
**Address: 6620 West Broad Street, Richmond, VA 23230**  
**Company NAIC No: 70025**

**Actuarial Memorandum**  
**March 2021**

**PUBLIC**

**Policy Form: 7035 et al**

**1. Scope of this Filing**

This filing applies to the referenced policy forms issued in Maryland between April 2002 and October 2005. These forms are also referred to by Genworth Life Insurance Company (“GLIC”) as Choice I and are no longer being sold.

For all the policies issued in Maryland to which the current filing applies, the following table shows the number of exposed lives by policies issued and policies inforce as of December 31, 2019.

	<b>Lifetime Benefit</b>	<b>Limited Benefit</b>	<b>Total Lives</b>
<b>Issued Lives</b>	3,236	4,101	7,337
<b>Inforce Lives</b>	2,589	3,111	5,700

**2. Purpose of this Filing**

This actuarial memorandum has been prepared to request and support the approval of a premium rate increase in your state.

We demonstrate that the proposed premium rate increase satisfies the minimum requirements of Maryland. This actuarial memorandum may not be suitable for other purposes.

**2.1 Multi-Year Rate Action Plan (MYRAP) Overview**

GLIC’s 2019 Cash Flow Testing (CFT) includes an assumption for future rate increases for Choice I based upon a cumulative premium rate increase of 421% over a period of six to nine years for policyholders with lifetime benefits (72% in 2017, 72% in 2020, and 76% in 2023) and 263% over a period of six to nine years for policyholders with limited benefits (55% in 2017, 55% in 2020, and 51% in 2023). This assumption regarding Choice I rate increases is part of GLIC’s Multi-Year Rate Action Plan.

Starting in 2017, GLIC submitted an initial nationwide filing (first round of MYRAP) requesting a premium rate increase of 72% for policies with lifetime benefits and 55% for policies with limited benefits, with plans for submitting future filings in 2020 and 2023 (second and third rounds of MYRAP respectively).

In the current filing, GLIC’s goal is to request a rate increase that brings Maryland premium rates closer to the nationwide rate level by requesting the second round of MYRAP, as well as any remainder of rate increase not approved in prior filings.

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## **2.2 Proposed Premium Rate Increase**

GLIC acknowledges COMAR 31.14.01.04(5) and proposes that the Administration consider premium rate increases phased over a five-year period. In this filing specifically, GLIC requests that rate increases be implemented as follows: (15%, 15%, 15%, 15%, 15%) for all policyholders, excluding policies issued to people 70 or older, or all policies that have no benefit inflation, on the above-mentioned policy forms. This proposal would be applicable to the base rates and associated riders of all inforce policies referenced in Section 1 of this actuarial memorandum.

## **3. Justification of the Premium Rate Increase**

Redacted pursuant to section 16, below.

## **4. Marketing Method and Underwriting Description**

Policies were primarily sold by captive agents that were provided leads from mass mailing responses. The underwriting process included an assessment of functional and cognitive abilities at issue ages considered by GLIC to be appropriate. Various underwriting tools were used in accordance with our underwriting requirements, including an application, medical records, an attending physician's statement, telephone interview and/or face-to-face assessment.

## **5. Description of Benefits**

This comprehensive long term care insurance policy:

- Is federally tax qualified and individually underwritten.
- Reimburses incurred home health care and facility expenses subject to the amount of coverage purchased.
- Covers either an individual or a couple – a couple's policy operates like two individual policies but draws from a shared benefit pool.
- Contains benefit eligibility requirements that are tied to Activities of Daily Living (ADL) deficiencies and cognitive impairment.
- The policy's integrated survivorship benefit waives future premium payments upon the first spouse's death if both spouses are insured at that time and have met certain requirements.
- Optional nonforfeiture benefit and restoration of benefit riders may have been selected.

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Applicants selected the following at issue:

- Daily Payment Maximum (DPM),
- Benefit Period, and
- Elimination Period.

In addition, the policyholder selected the Benefit Increase Option (BIO) to determine how the DPM should be increased:

- No Increase – the DPM stays level.
- Simple Increase – the DPM increases each year by 5% of the original DPM, starting in the second policy year and continuing for the life of the policy unless terminated earlier by the insured.
- Compound Increase – the DPM increases each year by 5% of the prior year DPM, starting in the second policy year and continuing for the life of the policy unless terminated earlier by the insured.

After the elimination period has been satisfied, premium payments are waived during facility stays and home health care (except where home care benefits are received pursuant to a Privileged Care Coordinator's Plan of Care, in which case premium payments are waived immediately upon the receipt of Home Care benefits).

## **6. Alternatives to the Proposed Rate Increase**

GLIC will offer insureds impacted by rate filings several options for mitigating the impact of the rate increase. These options will be provided in the policyholder notification letter. In addition, policyholders will have the ability to call a dedicated team of customer service representatives that can assist with providing customized quotes for any number of other benefit adjustments.

*Reduced Benefit Options.* As with prior rate increases, insureds can change a number of benefit features or coverage limits in order to maintain reasonably equivalent pre- and post-rate increase premium levels, and the optimal balance of coverage and cost based on their specific needs. The available benefit and rate combinations are consistent with the combinations presented in the rate tables approved by the Insurance Administration as part of the original filing. To balance coverage and cost considerations, GLIC will offer policyholders, subject to rate increases on their long term care policies, customized options to adjust their benefits, which may include any of the following options (where available):

1. Reduction in Daily Payment Maximum;
2. Reduction in Benefit Period;
3. Reduction or elimination of the BIO;
4. Increases in Elimination Period; and
5. Elimination of policy riders.

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If a policyholder elects to reduce or eliminate the BIO, they would retain any prior increases to their daily or monthly payment maximums.

*Lifetime Stable Premium Option (LSPO)*. GLIC has developed the LSPO as a new alternative for policy forms 7035 et al, to mitigate the proposed premium increase while still providing meaningful protection, as well as a lifetime premium rate guarantee. This option features the following:

1. A lifetime premium rate guarantee,
2. A three-year benefit period (six-year benefit period for Shared policies),
3. Retention of prior benefit increases in the Daily Payment Maximum,
4. 1% compound benefit increase going forward, and
5. A choice of (1) a longer elimination period (180 day for facility / 90 day for home care) or (2) 10% coinsurance combined with elimination periods comparable to those of most current policyholders (100 day for facility / 0 day for home care).

We are requesting approval of an elimination period of 180 days for facility benefits as part of the choices available under the LSPO. We are requesting this extended elimination period for the following reasons:

- 1) We believe that the LSPO that includes a 180-day elimination period is a suitable alternative to our current and planned rate increase filings, and that it provides a meaningful set of benefits, including a lifetime premium rate guarantee for policyholders.
- 2) We also offer policyholders an alternative choice with the LSPO that provides for a 100-day elimination period for facility benefits.
- 3) Policyholders will still have other options available to them that allow for elimination periods that are less than or equal to 100 days.

The combination of the benefits presented with this option is supported by a 2016 PwC study of industry data which found that the average duration for an LTC event is about three years, and that approximately 75% of all LTC events cost less than \$250,000<sup>[1]</sup>. Under this new option, policyholders will have a three-year benefit period (six years for Shared policies), and the estimated median benefit pool, if all policyholders elected this option, would be approximately \$295,000 with continued growth at 1% compound.

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<sup>[1]</sup> *The formal cost of long-term care services: How can society meet a growing need?* The referenced study, initially made available in October 2016 and then formally published on their website in 2018, is based on data for the time period 2000-2015 and reports figures in 2016 dollars.

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*Other options.* GLIC will continue to offer the applicable nonforfeiture option to each policyholder. Policyholders that are eligible for the Contingent Nonforfeiture Option will be presented with that as an option in their notification letter. Policyholders that have a nonforfeiture (NFO) rider with their policy, may elect that option. For those policyholders that do not have either the Contingent Nonforfeiture or NFO rider available, GLIC will continue to offer its Optional Limited Benefit, which provides a paid-up benefit equal to the total of premium paid, less any claims paid.

**7. Premiums**

**7.1 Renewability**

These policies are guaranteed renewable for life, subject to policy terms and conditions.

**7.2 Area Factors**

Geographic area factors are not used in rating these policies.

**7.3 Premium Classes**

Premium rates are unisex, level (with the exception of approved rate increases) and payable for life. Premiums vary by issue age, daily payment maximum, benefit period, elimination period, BIO, and any applicable riders selected.

Certain underwriting discounts may have been applied to the premium rates. A preferred risk discount of 10% may have been provided to applicants in response to certain health underwriting criteria specified on the application. A spousal discount of 25% was provided to married individuals when both spouses submitted valid applications.

**7.4 Modalization Rules**

The following table shows the modal factors that are applied to the annual premium for policies, and the percentage of insureds selecting each premium mode.

Premium Mode	Modal Factor	State Distribution		Nationwide Distribution	
		Lifetime	Limited	Lifetime	Limited
<b>Annual</b>	1	50.5%	49.6%	54.4%	48.4%
<b>Semi-Annual</b>	0.51	10.5%	10.4%	9.1%	9.6%
<b>Quarterly</b>	0.26	23.9%	23.4%	15.2%	17.4%
<b>Monthly</b>	0.09	15.0%	16.7%	21.4%	24.6%

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### **7.5 History of Previous Rate Revisions**

A 15% rate increase for policies with lifetime benefits and a 15% rate increase for policies with limited benefits was accepted in Maryland on 11/15/2013.

A 15% rate increase for policies with lifetime benefits and a 15% rate increase for policies with limited benefits was accepted in Maryland on 2/12/2015.

A 15% rate increase for policies with lifetime benefits and a 15% rate increase for policies with limited benefits was accepted in Maryland on 4/12/2016.

A 15% rate increase for policies with lifetime benefits and a 15% rate increase for policies with limited benefits was accepted in Maryland on 9/26/2018.

A 15% rate increase for policies with lifetime benefits and a 13.5% rate increase for policies with limited benefits, excluding policies issued to people 70 or older and those that have no benefit inflation, was accepted in Maryland on 9/8/2020.

A cumulative rate increase of 101% for policies with lifetime benefits and of 98.5% for policies with limited benefits has been approved in your state.

### **7.6 Rate Schedule**

Current rate tables reflecting any prior approved rate increase have been included in Appendix A. Corresponding rate tables reflecting any prior approved and the proposed rate increase have been included in Appendix B, attached separately. Please note that actual rates implemented may vary slightly from those set forth in Appendices A and B due to implementation rounding algorithms.

Rate tables for the LSPO presented in Section 6 are included in Appendix C.

### **7.7 Proposed Effective Date**

This rate increase will apply to policies on their billing anniversary date, following a minimum 60-day policyholder notification period.

## **8. Actuarial Assumptions**

Redacted pursuant to section 16, below.

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## **9. Development of the Proposed Rate Increase**

In developing the proposed premium rate increase, the following has been considered:

- a) In order to ensure maximum credibility, exhibits are based on GLIC nationwide experience through December 31, 2019, for all the forms similar to the ones affected by this filing. Projected earned premiums and incurred claims are based on the assumptions described in Section 8 of this actuarial memorandum;
- b) Although this block was priced under the Loss Ratio regulation, GLIC is not attempting to achieve a 60% loss ratio over the life of the block; in fact, the lifetime loss ratio after approval and implementation of this rate action will be substantially higher. This self-limited lifetime loss ratio does not imply that it represents either acceptable measures of profitability or minimum thresholds for future rate increase filings;
- c) The nationwide premium has been restated at Maryland level, only reflecting your state's approved rate increases, in order to avoid subsidization among states;
- d) The proposed rate increase has been assumed to be implemented on August 1, 2021 in the projections;
- e) Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in Maryland are set forth in Exhibits Ia, Ib and Ic. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in Maryland and the proposed rate increase are set forth in Exhibits IIa, IIb and IIc;
- f) We believe that this filing is not under the scope of the Rate Stability regulation; however, we have voluntarily applied the 58%/85% test, as demonstrated in Exhibit III; and
- g) Historical and projected earned premiums and incurred claims include provisions for waiver of premium.

## **10. Active Life Reserves and Claim Liability Reserves**

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2019, have been discounted to the date of incurral of each respective claim and included in historical incurred claims. Incurred but not reported reserve balances as of December 31, 2019, have been allocated to a calendar year of incurral and included in historic incurred claims. Discounting occurs at 4%.

## **11. Trend Assumptions**

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

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**12. Future Rate Increases**

GLIC intends to file any balance of the amounts requested in the current filing but not approved. In 2023, GLIC intends to file 76% for policies with lifetime benefits and 51% for policies with limited benefits, in addition to any balance of the amounts requested but not approved on any rate increase filings made in Maryland. The rate increase amounts to request in future filings pursuant to the Multi-Year Rate Action Plan are subject to change based on experience updates.

**13. State Average Annual Premium Based on Exposed Lives**

	<b>Lifetime Benefit</b>	<b>Limited Benefit</b>
<b>Before Proposed Rate Increase</b>	\$3,054	\$2,268
<b>After Proposed Rate Increase</b>	\$6,143	\$4,562

**14. State and GLIC Nationwide Distribution of Business as of December 31, 2019 (Based on Exposed Lives)**

Redacted pursuant to section 16, below.

**15. State and GLIC Nationwide Exposed Lives and Annualized Premium**

	<b>State</b>		<b>Nationwide</b>	
	<b>Lifetime</b>	<b>Limited</b>	<b>Lifetime</b>	<b>Limited</b>
<b>Number of Exposed Lives*</b>	2,589	3,111	71,109	149,601
<b>Inforce Annualized Premium</b>	\$7,908,054	\$7,056,880	\$209,909,366	\$310,297,853
<b>Average Issue Age</b>	54	57	55	58
<b>Average Attained Age</b>	70	74	72	75

\*Paid-up Policies are included in the number of Exposed Lives



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**16. Confidentiality**

Pursuant to Md. Code Ann., Gen. Provis. § 4-301, et seq., (the “Public Records Law”) and, specifically, Md. Gen. Provis. § 4-335, GLIC respectfully requests that the following portions of this Actuarial Memorandum be maintained by the Administration as confidential:

Sections 3, 8, 14, Exhibit I, Exhibit II, and Exhibit III of the Actuarial Memorandum and Additional Exhibits IV-VI.

The materials sought to be maintained as confidential are collectively referred to as the “GLIC Confidential Materials” herein. GLIC respectfully requests that the GLIC Confidential Materials be maintained as confidential and not subject to disclosure under the Public Records Law. See Md. Code Ann., Gen. Provis. § 4-335 (“A custodian shall deny inspection of the part of a public record that contains any of the following information provided by or obtained from any person...: (1) a trade secret; (2) confidential commercial information; (3) confidential financial information...”) (emphasis added); Md. Code Ann., Ins. § 11-703 (“A carrier may request a finding by the Commissioner that certain information filed with the Commissioner be considered confidential commercial information under § 4-335 . . . and not subject to public inspection.”).

Maryland’s Uniform Trade Secrets Act, Md. Code Ann., Com. Law § 11-1201 (the “Trade Secrets Act”) defines “trade secret” as information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

See Md. Code Ann., Com. Law § 11-1201. The GLIC Confidential Materials contain GLIC’s confidential trade secrets, including, but not limited to, actuarial formulas, statistics and/or assumptions, which are not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use.

The GLIC Confidential materials must be kept confidential by a record custodian under the Public Records Law because they constitute trade secrets, confidential commercial information, and/or confidential financial information. See Md. Code Ann., Gen. Provis. §§ 4-328, 335. Furthermore, Md. Code Ann., Ins. § 11-703 specifically permits long-term care insurance companies to seek confidential treatment of premium rate information filed with the Department.

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The GLIC Confidential Materials fall squarely within the above definition of trade secrets and also constitute confidential commercial / financial information. GLIC and its predecessors have been providing long-term care insurance coverage to policyholders for more than 35 years. GLIC's lengthy experience in the long-term care insurance business has placed it in a unique position in the long-term care insurance marketplace, in that no other long-term care insurance carrier has as much experience in that line of business as GLIC and its predecessors. Because GLIC has been marketing long-term care insurance products longer than its competitors, it has been able to accumulate experience-related data that its competitors have not been able to gather. Among other things, GLIC's confidential, experience-related data is used to price GLIC's long-term care insurance products and manage its existing policies, providing economic value to GLIC, and if it was released, would provide economic value to GLIC's competitors.

Additionally, the GLIC Confidential Materials are held and maintained as confidential by GLIC. The data in GLIC Confidential Materials is not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use. GLIC takes active measures to maintain the secrecy of the information in the GLIC Confidential Materials. Among other measures, GLIC obtains non-disclosure agreements with potential reinsurers before providing those potential reinsurers with any experience-related data. Furthermore, access to the data is limited and available only to employees of GLIC who are deemed likely to need the information in the course of their duties; those employees are subject to non-disclosure agreements under which they agree not to share the information except in furtherance of the business of GLIC. Thus, the GLIC Confidential Materials are plainly information that "is the subject of efforts that are reasonable under the circumstances to maintain its secrecy," and "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other person who can obtain economic value from its disclosure or use." See Md. Code Ann., Gen. Provis. § 4-335.

If disclosed, the GLIC Confidential Materials would permit GLIC's competitors to exploit GLIC's confidential, proprietary, trade secret information for their own benefit, and to GLIC's competitive and economic disadvantage. GLIC's hard-earned information should be kept confidential so that others cannot gain from GLIC's experience in order to more effectively compete with GLIC in the long-term care insurance marketplace. The GLIC Confidential Materials include, among other things, compilations of information regarding GLIC's assumptions in pricing certain long-term care products, GLIC's proprietary persistency and incurred claims data, and GLIC's policy demographics. None of this information is available to GLIC's competitors or to the public generally, and it is plainly protectable under Md. Code Ann., Gen. Provis. § 4-335.

This submission redacts the GLIC Confidential Materials identified above. A complete, confidential, unredacted version of GLIC's Actuarial Memorandum has been filed separately.

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**17. Actuarial Certification**

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the American Academy of Actuaries' qualification standards for rendering this opinion and am familiar with the requirements for filing for increases in long-term care insurance premiums.

This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8, 18, 23, 25 and 41.

I have relied on historical cash flows and projections completed by GLIC's Inforce Actuarial Infrastructure team. All future projections included in this memorandum, while based on GLIC's best estimates, are uncertain and may not emerge as expected.

I have relied on the IFA Analytics team for the pricing, methodology and design of the alternative pricing products.

I have relied on statutory valuations as of December 31, 2019, for Claim Reserves (i.e., Disabled Life Reserves, Pending Claims reserves, Incurred But Not Reported reserves, and Dead But Not Reported reserves) provided by GLIC's Long Term Care Valuation team.

I have also relied on assumptions developed by GLIC's Long Term Care Experience Studies team in collaboration with other GLIC actuaries, which assumptions were approved by Genworth's Assumption Review Committee. The assumptions present the actuary's best judgement and are consistent with the issuer's business plan at the time of the filing.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of Maryland. In my opinion, the rates are not excessive or unfairly discriminatory.



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Trisa-Lee Gaynor, F.S.A., M.A.A.A.  
Director & Actuary  
Genworth Life Insurance Company  
March 2021

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**Exhibit Ia: Choice I Policy Forms - Nationwide Experience  
All Benefit Periods - With Maryland Approved Rate Increases\***

Redacted pursuant to Section 16, above.

**Exhibit Ib: Choice I Policy Forms - Nationwide Experience  
Lifetime Benefit Period - With Maryland Approved Rate Increases\***

Redacted pursuant to Section 16, above.

**Exhibit Ic: Choice I Policy Forms - Nationwide Experience  
Limited Benefit Period - With MD Approved Rate Increases\***

Redacted pursuant to Section 16, above.

**Exhibit IIa: Choice I Policy Forms - Nationwide Experience  
All Benefit Periods - With Requested 5 Year 15% Rate Increases Applied to Policies with Issue  
Ages Below 70 with BIO\***

Redacted pursuant to Section 16, above.

**Exhibit IIb: Choice I Policy Forms - Nationwide Experience  
Lifetime Benefit Period - With Requested 5 Year 15% Rate Increases Applied to Policies with  
Issue Ages Below 70 with BIO\***

Redacted pursuant to Section 16, above.

**Exhibit IIc: Choice I Policy Forms - Nationwide Experience  
Limited Benefit Period - With Requested 5 Year 15% Rate Increases Applied to Policies with  
Issue Ages Below 70 with BIO\***

Redacted pursuant to Section 16, above.

**Exhibit III: Choice I Policy Forms - Nationwide Experience  
All Benefit Periods - With Requested 5 Year 15% Rate Increases Applied to Policies with Issue  
Ages Below 70 with BIO\*  
58/85 Test**

Redacted pursuant to Section 16, above.